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Gulf Contribution Distorts Current Account Figures

On paper the figures looked impressive to those concerned about Japan's still large external imbalance. Japan's current account surplus fell another 15.8 percent in the first quarter of 1991 to $10.4 billion. Not since 1985 has the January-March figure been as low; furthermore, this was the ninth straight quarter in which the imbalance declined over the year-earlier period (see Table 1).

As the broadest measure of Japan's external imbalance, the current account statistics usually are considered more meaningful than the customs-clearance trade data; that indicator showed a somewhat larger imbalance in the first quarter than in the corresponding 1990 period (see JEI Report No. 16B, April 26, 1991). But, in this instance, the trade figures may present a truer

Table 1: Japan's Balance of Payments

(in millions of dollars)

	Trade Balance	Exports (f.o.b.)	Imports (f.o.b.)	Services (net)	Current Account Balance	Long-Term Capital (net)
1986	$92,827	$205,591	$112,764	$-4,932	$85,845	$-131,461
1987	96,386	224,605	128,219	-5,702	87,015	-136,532
1988	95,012	259,765	164,753	-11,263	79,631	-130,930
1989	76,917	269,570	192,653	-15,526	57,157	-89,246
1990	63,528	280,374	216,846	-22,292	35,761	-43,586
1989: I	21,311	66,945	45,634	-3,595	16,064	-5,612
II	19,794	66,560	46,766	-4,892	14,283	-30,801
III	19,770	68,157	48,387	-4,023	14,957	-21,559
IV	16,042	67,908	51,866	-3,016	11,853	-31,274
1990: I	14,393	65,460	51,067	-701	12,305	-16,086
II	13,614	65,510	51,896	-5,279	7,892	-18,985
III	17,149	70,500	53,351	-8,045	7,400	-7,247
IV	18,372	78,904	60,532	-8,267	8,164	-1,268
1991: I (p)	20,383	74,886	54,503	-468	10,360	10,612

picture. (For an explanation of both the trade and the current account data, see JEI Report No. 15A, April 19, 1991.)

In the first three months of 1991 the current account and the trade balance moved in opposite directions for one reason: most of Japan's $13 billion contribution to support the successful multilateral effort in the Persian Gulf War and to help hard-hit frontline states was disbursed during the quarter. This contribution pushed the unrequited transfers component of the current account into a $9 billion deficit in March alone, up from the usual monthly level of a few hundred million dollars and several times larger than any previous monthly deficit. In fact, the net transfers outflow in March was larger than any previous annual deficit in this component of the current account. Without this extraordinary item the current account surplus in the first quarter would have shown a 57.4 percent jump over the year-earlier period.

Tokyo's contribution to the Persian Gulf effort, while politically significant, was of limited importance economically. Unlike most other factors that push the current account down, it neither reflected increased Japanese demand for foreign goods and services nor reduced foreign demand for Japanese goods and services. Furthermore, it is unlikely to be a recurring expenditure. In short, the latest data suggest that, if anything, Japan's current account surplus is trending higher, not lower.

Current account surpluses imply offsetting outbound capital flows that finance the imbalance. As a result of the smaller surplus, capital outflows generally declined in the January-March period from the comparable 1990 period. In fact, as shown in Table 1, Japan experienced a rare net long-term capital

inflow, in part because foreign investors betting on the continued recovery of the Japanese stock market poured $17.2 billion into net purchases of equities. In recent years Japanese long-term investors typically have channeled far more money abroad than their foreign counterparts have invested in Japan. The first quarter's reversal of net long-term flows, the first since 1982, came despite increased activity abroad by Japanese investors (see Table 2). Net bond purchases, the main portfolio investment for Japanese who invest overseas, exceeded the net of each of 1990's four quarters. Equity investors, however, continued their retreat from foreign stock markets; they registered a second straight quarter of net withdrawals. The strength of foreign equity markets during the January-March period, despite Japanese disinterest, suggests that Japanese money is not a necessary propellant in those markets.

Table 2: Japan's Net Purchases of Foreign Securities

(in millions of dollars)

	Bonds			Stocks		
	Purchases	Sales	Net	Purchases	Sales	Net
1986	$1,346,989	$1,253,965	$93,024	$20,917	$13,869	$7,048
1987	1,273,829	1,200,944	72,885	70,936	54,062	16,874
1988	1,364,061	1,278,249	85,812	76,560	73,567	2,993
1989	1,683,733	1,589,650	94,083	97,056	79,169	17,887
1990	1,372,281	1,343,320	28,961	76,785	70,529	6,256
1989: I	341,774	327,771	14,003	17,724	17,828	-104
II	487,087	461,996	25,091	21,228	15,120	6,108
III	463,493	437,622	25,871	23,602	18,807	4,795
IV	391,379	362,261	29,118	34,502	27,414	7,088
1990: I	356,393	355,524	869	27,640	22,694	4,946
II	350,993	341,640	9,353	19,972	17,819	2,153
III	331,100	320,195	10,905	18,121	17,662	459
IV	333,795	325,961	7,834	11,052	12,354	-1,302
1991: I (p)	340,935	327,579	13,356	13,342	13,805	-463

The January-March period rounded out Japan's 1990 fiscal year. For the year the current account surplus came to $33.8 billion -- the fourth straight yearly decline and far below Tokyo's initial expectation of a $56 billion gap, although higher than last December's estimate of $32 billion (see JEI Report No. 11A, March 22, 1991). In its most recent economic outlook the government put the FY 1991 surplus at $30 billion. Tokyo's apparent optimism that the surplus will decline again in the current fiscal year finds little support among independent analysts, however. For example, Takuro Ban, director of the research department at Industrial Bank of Japan, Ltd., was quoted in early May as believing that the FY 1991 surplus will range between $45 and $50 billion. Nomura Research Institute puts the figure at $36.6 billion, Sumitomo Bank, Ltd. at $39.7 billion. In short, if this expert opinion is to be believed, the decline in Japan's current account surplus is over. Equally important, however, is that these analysts and organizations do not expect the imbalance to widen dramatically.

Private forecasts of the FY 1991 current account imbalance usually result from econometric exercises that include assumptions that Tokyo will reduce the discount rate and otherwise loosen monetary policy sometime during the April 1991-March 1992 period. If the Bank of Japan acts in accord with this thinking and thereby increases the relative attractiveness of overseas investment, the yen could be expected to weaken; in that case exports would be higher than otherwise and imports lower, increasing the current account surplus and the capital outflow. Washington has made no secret of its desire for lower Japanese interest rates (JEI Report No. 18B, May 10, 1991), although it does not seem reconciled to the larger Japanese current account surplus that probably would accompany such a move. Of course, the United States presumably would welcome the easing -- at least in the near term -- of the worldwide capital shortage, which would be yet another result of a more expansionary Japanese monetary policy. In short, Washington may have to decide whether it will be satisfied with lower Japanese interest rates or a declining Japanese external imbalance. It is unlikely to get both.

Douglas Ostrom

Some Financial Reforms On Track, Others On The Sidings

The Ministry of Finance continues to push its financial reform agenda on several fronts. MOF and other government agencies are drafting new versions of legislation that will alter the fundamental structure of Japanese financial markets. Even so, many observers are predicting that Japan's regulatory environment still will be more restrictive than that of either the United States or the European Community. Perceptions of such an "inequality" may leave Japanese financial institutions open to discriminatory treatment overseas.

Commercial and investment banking activities in Japan are separated by tough legal barriers (Article 65 of the Securities and Exchange Law), just as they are in the United States by the Glass-Steagall Act. Both Tokyo and Washington have been exploring ways to lower these barriers to promote competition and diversification by financial institutions while at the same time preventing abusive or risky business practices. MOF is juggling how to reconcile the differing viewpoints of the banking and securities sectors so that it can produce a new Securities and Exchange Law for submission to the next regular Diet session.

Two years of study by MOF advisory bodies have produced general agreement that the best vehicle for permitting head-to-head competition among all classes of Japanese financial institutions would be separately capitalized and operated subsidiaries. The major remaining differences between the Securities and Exchange Council (which includes representatives from brokerage houses) and the Financial Systems Research Council (which is tied more closely to the banking sector) concern the operations open to these new subsidiaries. Banks consistently have pushed for the maximum amount of freedom to compete in the underwriting and the brokering of stocks and bonds. Securities companies have tried to limit possible incursions into their business by banks, which generally are larger and have more staff as well as more extensive branch networks.

In a preliminary report released May 12 the Securities and Exchange Council called for direct competition between banks and brokerages only in the

Japanese financial institutions. Both Japan and the European Community are on record as opposing various aspects of the Department of Treasury's proposed overhaul of the U.S. financial system. The Financial Institutions Safety and Consumer Choice bill, introduced in March, would force foreign firms that want to engage in businesses other than that of the parent firm to establish separately capitalized and operated subsidiaries, a costly proposition. In addition, the Federal Reserve Board is seeking to expand its monitoring powers over foreign banks. The Foreign Bank Supervision Enhancement Act, which Sen. Donald Riegle (D, Mich.) put in the hopper May 9, would force foreign firms to obtain Fed approval for all activities, provide the Fed with the information necessary to perform its oversight duties, submit to examinations by U.S. regulatory authorities, and notify the Fed upon the purchase of 5 percent or more of an American bank's shares or the extension of any loan to a U.S. bank if the loan is secured by 25 percent or more of the bank's shares. Given a recent scandal involving a Washington-area bank and a Middle Eastern bank holding company, prospects for congressional approval of the new Fed powers are high.

Jon Choy

Japanese Business Leaders Prepare To Renew Ties To South Africa

Political and business leaders worldwide are watching expectantly for the end of apartheid laws in South Africa. Last February South African President F.W. de Klerk pledged to push for the repeal of laws constituting the framework of the apartheid system (see JEI Report No. 7B, February 22, 1991); the parliament in Pretoria is expected to abolish the laws before adjourning June 20. Some nations, including members of the European Community, have agreed to lift most economic sanctions against Pretoria if President de Klerk's promised reforms are approved. Japan has said that no decision on sanctions will be made until the discriminatory laws are repealed. The United States, however, has pointed to one additional roadblock to easing sanctions: release of all political prisoners and those held without trial.

While Tokyo waits to take official action, Japan's business community has begun to lay the groundwork for improved relations with South Africa. In late April Keidanren (Japan Federation of Economic Organizations) sent a 10-person mission to South Africa to assess social and economic conditions there. After meetings with President de Klerk and members of his government as well as antiapartheid leaders and representatives of the black business community, the mission concluded that while trade sanctions have had relatively little effect on South Africa, restrictions on investments and financial assistance have had a critical impact on both the economy and the social environment. The mission also contended that the Japanese government's sanctions were hindering the success of some Keidanren-funded educational and technical assistance projects aimed at helping black South Africans. A summary of the mission's report stressed that South Africa not only is an important source of materials for Japan, but that it serves as well as a center for regional progress.

In the Keidanren mission's view President de Klerk's recent initiatives address the principle objective of sanctions against Pretoria -- an end to apartheid. Noting that other countries have responded to Pretoria's pledges by taking steps toward lifting sanctions, the mission urged Tokyo to undertake a fundamental review of its policy toward South Africa. The leader of the mission, Bank of Tokyo vice president Tamotsu Yamaguchi, indicated that as a first

step the government of Japan should state its position on lifting sanctions. Then Tokyo immediately should end its ban on sports and cultural exchanges, he said, but make this move contingent on apartheid laws being abolished in June. His views and the mission's recommendations have been taken under advisement by top Keidenren officials, who have not decided what course of action to recommend. Gaishi Hiraiwa, Keidanren's chairman, said, however, that Japan's current policy should be revised. He characterized Tokyo's response to the de Klerk government's initiatives as "delayed" in comparison to what other countries are doing. Keidenran reportedly plans to send a larger fact-finding mission to South Africa this fall.

Several political considerations argue for a delay in the lifting of Japan's economic sanctions. Tokyo is wary of making a move that could be considered profit-driven or insensitive to racial issues. Some Japanese government officials contend that Tokyo should not take any actions vis-a-vis South Africa that might jeopardize relations with other African nations, whose support is needed when the United Nations votes for nonpermanent seats on the U.N. Security Council this fall. Other government officials, however, see no problem if Japan ends its sanctions at the same time as other major industrialized countries. They argue that Japan should contribute to economic growth in South Africa and should encourage President de Klerk's efforts toward political reform.

While taking a cautious approach politically, Tokyo has arranged to extend various forms of aid to South Africa. In late March Tokyo promised $3.2 million to the U.N. High Commissioner for Refugees to aid political exiles resettling in South Africa. The funds are to come out of Japan's FY 1990 contribution to the U.N. organization. That same month Tokyo delivered on a pledge made last fall to provide a South African nongovernmental organization Y5.6 million ($41,500 at Y135=$1.00) for scientific equipment to be used by black schools in the Transvaal region. The grant was Japan's first direct assistance to a South African organization; previously aid was directed to South African NGOs through the United Nations and a Japan-European Community fund.

Tokyo is on record as saying that it would avoid direct involvement in the internal political affairs of any country. For that reason Prime Minister Toshiki Kaifu told African National Congress leader Nelson Mandela on his visit to Tokyo last fall that Japan would find it difficult to extend direct assistance to aid the ANC's efforts to provide housing, jobs and education for former political prisoners and exiles (see JEI Report No. 43B, November 9, 1990). Funneling aid through a third party was aimed at avoiding this restriction.

Japan's Trade with South Africa, 1985-90

(in millions of dollars)

	1985	1986	1987	1988	1989	1990
Exports	$1,019.9	$1,355.2	$1,863.3	$2,046.8	$1,717.3	$1,477.0
Imports	1,843.9	2,228.7	2,259.2	1,933.2	2,034.8	1,843.0

Source: Japan Tariff Association

As Keidanren's mission indicates, Japanese businesses are anticipating the end of economic sanctions and are starting to position themselves for a range of business opportunities in South Africa. The Ministry of International Trade and Industry is expected to relax soon its 1988 recommendation that Japanese businesses keep their trade with South Africa at or below the level of the previous year in dollar terms (see Table). Once sanctions are lifted, Japanese firms anticipate expanded possibilities to build or renovate factories, supply the South African market with cars and high-technology products, and import coal from that country.

Margo Grimm

Diet Adjourns

The 120th regular Diet session ended May 8 with final approval given to 14 treaties, 83 government-sponsored bills, 10 bills sponsored by Diet members and both the FY 1991 budget and a second FY 1990 supplementary budget. The latter measure included the nearly $9 billion financial contribution that Tokyo had pledged in January to help allied coalition forces in the Persian Gulf War; that amount followed earlier support of $2 billion for the allied forces and $2 billion to help frontline countries impacted by the war and the economic sanctions put on Iraq.

Helping the ruling Liberal Democratic Party to win passage of 83 of the 93 government-submitted bills were Komeito and the Democratic Socialist Party, the second- and the fourth-largest opposition parties. Although the behind-the-scenes maneuvering for support had generated much speculation by political analysts (see JEI Reports No. 7B, February 22, 1991, and No. 14B, April 12, 1991), the final votes showed significant support from the largest and the number-three opposition groups as well. The Socialist Democratic Party of Japan, the largest opposition group, opposed only three of the 83 measures. Even the Japan Communist Party seconded 57 percent of all the approved government-sponsored bills. Analysts view the high ratio of opposition support for the government-submitted bills as indicative of their realistic stance toward the lawmaking process. Moreover, aware of the opposition's majority in the upper house, LDP and government officials generally kept controversial bills from being introduced in the Diet until they had at least tacit backing from Komeito, the DSP and, if possible, the SDPJ.

Among the approved bills is a new child care leave law that allows either fathers or mothers working in firms with more than 30 employees to take unpaid leave for one year to care for their infant. A land policy package also received approval; it included restrictions on financing of land purchases by nonbanking financial institutions, an amendment of the productive green space law and a new landholding tax (see JEI Reports No. 5B, February 8, 1991, and No. 15B, April 19, 1991). Proposed changes to the Land Lease and the House Lease Laws will continue to be debated in the next Diet session.

Implementation of Tokyo's pledges made during last year's Structural Impediments Initiative discussions with Washington (see JEI Report No. 26B, July 6, 1990) included some changes in the Antimonopoly Law. The Large Retail Store Law also was revised to speed the regulatory process at the national level for opening department stores, supermarkets and other big outlets, which are

more likely to carry foreign products. Large retailers, for example, no longer will need the approval of neighboring shopkeepers before opening a store.

One environment-related bill winning passage corresponded to Japan's support for the Montreal Protocol, which aims to eliminate the production of chlorofluorocarbons by the year 2000; the bill restricts use of CFCs. Also approved was a bill that promotes recycling. Legislation attempting to achieve quantitative reductions in the amount of garbage disposed failed to win passage.

Technical amendments to the 3 percent consumption tax were approved following an accord between the LDP and the opposition parties in the final stage of the Diet session. These changes will go into effect October 1. The list of goods and services exempted from taxation was extended to include rents, educational fees and charges for births or burials. In other changes store operators that collect more than Y5 million ($37,000 at Y135=$1.00) a year in consumption tax proceeds will have to forward the money to the government quarterly instead of semiannually. The tax treatment of different types of businesses for consumption tax purposes also was altered.

A bill that would have increased copayments for medical care fo_ those over age 70 or those aged 65 and bedridden will be resubmitted to the next Diet session. Other measures considered possible candidates for future Diet action are a package of political reforms and a bill enabling Japanese personnel to join United Nations-sponsored peacekeeping operations. Although Prime Minister Toshiki Kaifu had intended to push these controversial measures, the government ended up not introducing the bills. An earlier version of the peacekeeping bill was pulled from consideration last year after much public opposition (see JEI Report No. 44B, November 16, 1991).

Tadashi Saito

Tokyo, Washington Take Differing Paths In Transportation/Environment Debate

The recent release of the Environment Agency's annual report, which focused in part on how to limit motor vehicle emissions, and current debates in Congress on related issues highlight the different approaches of Japan and the United States to environmental regulation. Reduction of gases thought to contribute to global warming forms one of the main themes in the Environment Agency's report. (The other addresses the effect of war on the environment.) Legislation being considered on Capitol Hill has much more diversified goals, making comparisons difficult. Even so, bills addressing transportation and energy policies give an indication of what the United States will be doing differently from Japan on environmental issues related to global warming.

A proposal to restrict tailpipe emissions from diesel-fueled vehicles is part of a one-two punch sure to be fought by Japan's trucking industry. At a press conference prior to the white paper's distribution, the director of the Environment Agency's planning and research division said that vehicles powered by diesel have fewer restrictions on emissions than do gasoline-fueled vehicles and, thus, are a logical target for increased attention. Specifically, the agency has proposed standards for diesel-powered vehicles that are 24 percent below current levels of nitrogen oxide emissions, one of the so-called greenhouse gases. Since carbon dioxide also is a byproduct of diesel-powered

vehicles and judged by some scientists to be one of the largest contributors to global warming, the agency anticipates that fewer NO_x emissions will be mirrored by lower CO_2 levels. However, the planning division's Toshiro Kojima also told reporters that the cuts in emissions may be difficult to achieve because so many diesel trucks are used by small and medium-sized firms, which might not be able to afford trucks that meet the new standards.

The number of diesel-fueled vehicles in Japan is on the rise, which is why the Environment Agency has drawn attention to this type of vehicle (see Table 1). Part of the popularity of diesel vehicles is the price of fuel; at about Y70 a liter ($2.65 a gallon at Y135=$1.00) diesel is significantly cheaper than gasoline, which runs about Y120 a liter or $3.36 a gallon.

Table 1: Diesel Vehicles in Use, 1985-89

(in millions of vehicles and percentage within each category)

	1985	1986	1987	1988	1989
Cars	1.25 4.5%	1.48 5.2%	1.73 5.9%	2.02 6.6%	2.41 7.4%
Trucks	4.00 23.4	4.27 23.6	4.60 24.0	5.03 24.7	5.45 25.8
Buses	0.21 90.4	0.21 92.1	0.22 93.6	0.23 94.8	0.23 95.8
Other	0.77 81.4	0.80 82.2	0.85 82.7	0.91 83.6	0.97 84.3
Total	6.23 13.5	6.78 14.1	7.40 14.8	8.19 15.6	9.06 16.4

Source: Ministry of Transportation

One carrot suggested for encouraging the move to less-polluting diesel trucks is the use of tax incentives; another idea is increased use by municipal governments of electric-powered buses and garbage trucks. Another innovative suggestion in the white paper is that one of the icons of Japan's industrial efficiency -- just-in-time delivery -- be reviewed since the system requires what one news report called an "excessive use of delivery trucks."

The second part of the punch to the Japanese trucking industry accompanied the white paper's call for more long-distance domestic cargo to be carried by trains and ships. The powerful trucking industry has long hauled about 90 percent of all in-country cargo, with water-borne transportation accounting for about 8 percent and railroads the rest. The Environment Agency's white paper notes that trains release only about 1/15 the amount of carbon dioxide that diesel trucks do for the same amount of cargo transported; ships produce about 1/10 diesel vehicles' CO_2 emissions. However, given the long-term implementation period expected for the Ministry of Transportation's trucking industry deregulation guidelines and regulations (see JEI Report No. 17A, April 27, 1990), the prospects seem dim for the Environment Agency's proposal to make quick headway.

Equally contentious transportation-related proposals are being considered on Capitol Hill. Two recently introduced measures attempt to define a broad-based U.S. transportation policy. The contrast between the two measures was described by a new daily environmental news service, Greenwire, as "the sleeper environmental issue of the year." One of the main differences between the bill

backed by the Bush administration and legislation introduced by Sen. Daniel Patrick Moynihan (D, N.Y.) is that the New York senator's measure would allocate highway trust funds based on population rather than fuel consumption patterns, which is the base for the administration's bill. The Moynihan measure also would set aside funds to help boost compliance with air quality standards in cities that fall short of the standards, often because of traffic haze. The White House version, introduced by Sen. John Chafee (R, R.I.), encourages more highways and expanded traffic lanes. Both bills advocate more use of mass transit, but the administration-supported measure leans toward more interstate commerce via highways.

Although neither measure addresses global warming problems in the same way that the Environment Agency's white paper does, the role of the transportation sector in contributing to emissions of carbon dioxide is possibly more significant in the United States than in Japan. A 1991 report by the Office of Technology Assessment rated transportation responsible for 32 percent of America's 1987 CO_2 emissions. In comparison, the Environment Agency report indicated that transportation accounted for 19.4 percent of Japan's CO_2 emissions in 1989, up from 13.1 percent in 1973. Industry contributed 49.5 percent (32 percent in OTA's study of U.S. emissions), with electric utilities at about 8 percent and the household sector at 23.2 percent. (OTA rated U.S. building emissions at 36 percent.)

While CO_2 emissions are not the main focus of the two U.S. transportation policy proposals, measures addressing America's energy policy tackle the subject more directly, including bills calling for higher CAFE (corporate average fuel economy) standards. One controversial proposal by Sen. Richard Bryan (D, Nev.) calls for boosting CAFE standards to as much as 45 miles per gallon by 2001 to help America cut its oil consumption and to help reduce CO_2 emissions. What makes Sen. Bryan's bill a magnet for criticism is its effort to force car companies that already have surpassed the 27.5 mpg standard to increase their 1988 fleet average by a flat 20 percent by 1996 and 40 percent by 2001. Ironically, the bill would allow Suzuki Motor Co., Ltd. to reduce its 1988 CAFE level of 50.3 mpg (see Table 2). This is one reason critics argue that the Bryan bill has the potential to discourage companies that already have achieved high fuel efficiency from new innovations.

Another criticism posed in a Washington Post editorial is whether the bill is an indirect attempt at protectionist legislation, since Japanese automotive makers would be particularly hard-pressed to achieve greater fleetwide efficiency without trimming the number of midsized and luxury cars they sell in the United States. Since domestic car manufacturers oppose higher CAFE standards as much as Japanese companies do, many in Congress are awaiting a report on fuel efficiency from the National Academy of Sciences, due out in late June. Reports from Capitol Hill suggest, however, that reservations by the motor vehicle industry may be weighed against the significant gains made after Congress mandated CAFE levels in the 1970s; at the time the automotive industry said the technology did not exist to achieve a standard of even 27.5 mpg.

The Bush administration has said that it wants to take a diversified approach to offsetting the potential hazards of global warming, working through transportation policy, energy policy and a variety of other interests but not focusing solely on meeting a set target of greenhouse gas emissions. In the process, though, its attention to global warming appears to suffer. More direct

Table 2: Corporate Average Fuel Economy Compliance and Proposed Changes*

Japanese Badged-Cars	1988	2001*
Suzuki Motor Co., Ltd.	50.3 mpg	45.0 mpg
Daihatsu Motor Co., Ltd.	46.8	45.0
Isuzu Motors Ltd.	34.9	45.0
Toyota Motor Corp.	33.0	45.0
Honda Motor Co., Ltd.	32.1	44.9
Fuji Heavy Industries, Ltd. (Subaru)	31.9	44.7
Mitsubishi Motors Corp.	31.2	43.7
Nissan Motor Co., Ltd.	30.8	43.1
Mazda Motor Corp.	28.7	40.2
American Badged-Cars		
Chrysler Corp.	28.5	39.9
General Motors Corp.	27.6	38.6
Ford Motor Co.	26.6	37.2

*Sen. Richard Bryan's amendment to the Motor Vehicle Information and Cost Savings Act (S 279) seeks a 40 percent increase over the 1988 CAFE levels achieved by each car maker, up to a 45 miles per gallon cap. The current standard is 27.5 mpg.

Source: Department of Transportation, Summary of Fuel Economy Performance, February 1, 1991.

in its stated goals, Tokyo has said that it will stabilize carbon dioxide emissions at 1990 per capita levels (which allows for a slight increase based on population increases) and has set restrictions on the use of chlorofluorocarbons. But Japan also is taking a diversified approach, with the Environment Agency making recommendations that cross other ministries' jurisdictions and that hint at fundamental changes in traditional patterns of transportation and distribution. At the very least the agency's white paper suggests a willingness to shake up the status quo, even if the path to success is as rocky as that facing the U.S. legislative process.

Pat Murdo

Notes

SII - Subcabinet-level trade officials from the United States and Japan will meet in Tokyo May 20-21 to review the progress each country has made in dismantling the structural barriers to trade identified in the final report on the Structural Impediments Initiative (see JEI Report No. 26B, July 6, 1990) and to summarize the results of the review process in a jointly issued report. The sections dealing with Japan's efforts to bridge its savings-investment gap and reform the country's distribution system will be relatively easy to draft since Washington already has credited Tokyo with significant progress in boosting public works expenditures and speeding up and streamlining the regulatory

NOTE

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Entire Issue